

1 will place them at a disadvantage when serving consumers with relatively high local
2 calling patterns.

3

4 **Q. HOW SHOULD THE COMMISSION ESTABLISH LOCAL CALL**
5 **TERMINATION RATES UNTIL IT IS ABLE TO CORRECTLY**
6 **ESTABLISH ACCESS CHARGES?**

7 **A.** The Commission's ultimate objective should be cost-based termination rates that
8 ultimately would apply to both local and long distance traffic. However, the
9 principle advantages of cost-based termination rates cannot be realized until a single
10 charge can be applied to *all* traffic types, including toll services. Therefore,
11 implementing an interim bill and keep system may be appropriate. Bill and keep is
12 the simplest system to implement and its adoption could accelerate entry by
13 reducing billing requirements and uncertainty.

14

15 **VI. OPERATIONAL BARRIERS TO ACHIEVING CUSTOMER CHOICE**

16

17 **Q. HOW DO OPERATIONAL ISSUES AFFECT CUSTOMERS AND THEIR**
18 **ABILITY TO BENEFIT FROM LOCAL COMPETITION?**

19 **A.** There are two ways that operational questions will directly impact consumer
20 perceptions concerning local competition. In order for local competition to be
21 viewed as a success:

- 22 • it must be easy for *consumers* to change local carriers, at least as easy as
23 the PIC-change process they are now familiar with, and
24
- 25 • it must be easy for *carriers* to serve consumers quickly and with a
26 minimum of network disruption.
27

1 Only if these conditions are satisfied will the market changes contemplated by the
2 Act roll out smoothly in the eyes of consumers.

3

4 **A. *Supporting Customer Choice***

5

6 **Q. WHY IS IT IMPORTANT FOR OPERATING SYSTEMS TO BE ABLE TO**
7 **EASILY ACCOMMODATE CONSUMER CHOICES?**

8 **A.** When the Act is fully implemented, today's familiar separation between local and
9 long distance companies will be replaced by many consumers choosing a full
10 service provider for both their local and long distance needs. A primary motivation
11 for full service (i.e., one-stop shopping) competition will be convenience. This may
12 seem obvious, but a main benefit of full service competition -- i.e., convenience --
13 cannot be realized if *moving* to a full service provider is inconvenient and disruptive.

14

15 With this in mind, it is useful to compare the relative ease and convenience that
16 consumers would experience when choosing between BellSouth and any other full
17 service provider, including their existing long distance carrier. This is the most
18 relevant comparison because these carriers today share the *same* customer base and
19 thus most likely are to approach these customers with the goal of becoming their full
20 service provider.

21

22 **Q. CAN THE EXISTING PROCESSES USED TO IMPLEMENT CONSUMER**
23 **CHOICES AMONG LONG DISTANCE PROVIDERS SERVE AS A MODEL**
24 **FOR LOCAL SERVICES?**

1 **A.** **Yes. The process used to transfer a customer to a new long distance company, the**
2 **PIC-change process, is automated, inexpensive (the \$1.42 PIC change fee per line)**
3 **and sized to handle large demands. Significantly, it is also well tested, having been**
4 **used for more than a decade, through countless product introductions, advertising**
5 **campaigns, and marketing initiatives. In contrast, the "process" used to change**
6 **local providers is unknown and, in any environment where a physical circuit**
7 **rearrangement is necessary, inherently more complicated and problematic.**

8

9 **Q. WHAT MUST OCCUR FOR COMPETITION TO SUCCEED?**

10 **A.** **Consumers must be able to move between local service providers with the same**
11 **ease that they now move between long distance carriers. A PIC-change-like**
12 **customer migration process must be available both for services resale and the**
13 **unbundled network element approaches. Without the ability to honor customer**
14 **requests to change local service providers inexpensively, the network element**
15 **option could only be used to serve selected customers and the advantages of this**
16 **option would be limited to the few.**

17

18 **Q. DID THE FCC RECOGNIZE THE IMPORTANCE OF EASILY**
19 **ACCOMMODATING CUSTOMER CHOICE?**

20 **A.** **Yes. In particular, two provisions of the FCC's Rules, assure that consumer choices**
21 **can be easily accommodated. First, the FCC Rules require that operating systems be**
22 **nondiscriminatory in comparison to the use of these systems by the incumbent LEC**
23 **itself. As the FCC explained:**

24 **We thus conclude that an incumbent LEC must provide**
25 **nondiscriminatory access to their operations support**
26 **systems functions for pre-ordering, ordering, provisioning,**

1 maintenance and repair, and billing available to the LEC
2 itself. (FCC Order, ¶ 523).
3

4 Second. Rule 51.319(c)(1)(ii) includes the requirement that wherever the change in
5 the customer's local service provider is accomplished through a software event (i.e.,
6 resale arrangements or configurations using unbundled local switching), the change
7 in a customers' local service provider must occur in an interval no longer than the
8 interval in which an incumbent LEC transfers end-users between interexchange
9 carriers.
10

11 ***B. Ordering Combinations Of Unbundled Network Elements***
12

13 **Q. HOW CAN UNBUNDLED NETWORK ELEMENTS BE USED TO PROVIDE**
14 **LOCAL SERVICES WITH THE LEAST DISRUPTION TO CONSUMERS?**

15 **A.** In order for consumers to benefit from competition, carriers must be able to easily
16 obtain and configure the unbundled network elements that they will use to provide
17 services. The key to rapid competition and easy customer choice is the ability of
18 entrants to provide service using unbundled local switching, frequently in
19 combination with other elements. With unbundled local switching, customers can
20 be moved between different providers without physically reconfiguring the service
21 to the customer.
22

23 **Q. HOW WILL CARRIERS BE ABLE TO MOVE CUSTOMERS RAPIDLY**
24 **USING COMBINATIONS OF UNBUNDLED ELEMENTS?**

25 **A.** The answer is using the network to move customers without manual changes in the
26 physical connections to these customers. This condition is satisfied by a network

1 configuration which combines several network elements, including local switching,
2 to provide service. Customers can easily change among local carriers who are
3 providing services using the incumbent LEC's unbundled local switching element
4 because the customer's lines need not be reconfigured to a different switch for
5 service. This arrangement is sometimes referred to as the "platform" configuration.

6

7 **Q. WHAT IS THE "PLATFORM" CONFIGURATION?**

8 A. The platform configuration is the combined purchase of unbundled switching and an
9 unbundled loop (frequently in combination with transport and signaling) to form a
10 basic exchange platform to offer local exchange and exchange access services. By
11 providing services using a combination of unbundled elements, operational barriers
12 are reduced.

13

14 **Q. WHAT ARE THE BENEFITS OF THE PLATFORM APPROACH?**

15 A. The platform configuration efficiently uses combinations of network elements,
16 including combinations as they already exist. Further, customers can easily shift
17 between local providers using the platform configuration because the existing
18 exchange line does not need to be reconfigured to provide service. Because the
19 underlying facility arrangement is unaffected, operational systems should be able to
20 accommodate market changes with an ease comparable to the PIC-change process
21 used in the long distance industry.

22

23 The platform approach provides every carrier an ability to design its own services,
24 constrained only by its own imagination and the inherent ability of the network.
25 Unbundled local switching enables a carrier to purchase switching capacity as a

1 generic ingredient and then determine which features and capabilities of the switch
2 it will offer as part of its finished local services.

3
4 In addition, the platform configuration allows each carrier the flexibility to provide
5 its own local exchange services to end-user customers, and exchange access services
6 to other carriers, achieving the same status and opportunities as any other local
7 telephone provider. Competition across all prices and services would then be
8 possible.

9
10 **Q. DO THE FCC RULES REQUIRE BELLSOUTH TO PROVISION**
11 **COMBINATIONS OF NETWORK ELEMENTS, INCLUDING THE**
12 **"PLATFORM" CONFIGURATION DESCRIBED ABOVE?**

13 **A. Yes. The rules clearly recognize the rights of new entrants to order any**
14 **combinations of network elements, including combinations of elements as they are**
15 **presently configured in BellSouth's network. Specifically, Section 51.315 requires**
16 **that an incumbent LEC:**

17
18 (a) shall provide network elements in a manner that allows
19 a requesting carrier to combine such elements;

20
21 (b) shall not separate requested network elements that the
22 LEC currently combines;

23
24 (c) shall perform the functions necessary to combine
25 unbundled network elements in any manner, even if

1 those elements are not ordinarily combined in its
2 network, if the combination is technically feasible and
3 will not impair other carriers from obtaining access or
4 interconnecting.

\$

6 These rules enable an entrant to combine local loops, local switching and transport
7 and termination to form an exchange platform to offer local exchange (to end users)
8 and exchange access (to other carriers) service. This flexibility is essential if
9 consumers are to rapidly benefit from the introduction of local competition.

10

11 Of course, as noted at the beginning of this Section, *none* of the benefits of local
12 competition are possible unless consumers are able to easily implement a choice in
13 carriers. That is why it is so important to implement the operating systems that are
14 described further in the testimony of AT&T Witness Jim Carroll.

15

16 **VII. SUMMARY**

17

18 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

19 A. The Commission's decision in this proceeding may be the most significant in its
20 history as a regulator of telecommunication services. The Act has the potential of
21 bringing substantial competitive benefits to South Carolina consumers, providing
22 them, for the first time, direct say in the services they are offered through the power
23 of choice. Realizing these benefits, however, can occur only if the entry tools
24 described in the Act become practical, working vehicles that entrants may use to
25 provide that choice.

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This, in a sentence, is the fundamental objective of this arbitration -- to provide AT&T and, other new entrants the tools they will need to provide local exchange services in competition with BellSouth. That AT&T's request encompasses the full range of entry tools provided by the Act increases the complexity of the proceeding, but it also promises to provide greater and broader benefits than the previous limited requests that have come before this Commission to date.

What do new entrants need? Simply this: the ability to resell wholesale equivalents of BellSouth's retail services at wholesale rates; the ability to purchase and combine a core list of unbundled network elements, correctly priced at forward looking, long-run incremental cost; and the ability to transport and terminate traffic at cost-based, reciprocally applied, charges. Each must be supported by an operational infrastructure designed for a multi-vendor local marketplace. This is what the Act provides for, this is what new entrants are entitled to, and this is what this Commission must see gets implemented.

Why? First and most obviously, to give South Carolina consumers choice. But also, because the Act portends BellSouth's eventual entry into the long distance market. There, BellSouth will have access to wholesale long distance services and network elements at competitive prices. There, BellSouth will find an operational infrastructure specifically designed to support a multi-vendor market, including systems to easily implement customer choices. In short, BellSouth will find the long distance equivalent to all that the Act now requires that BellSouth offer others.

1 The Commission has long recognized its role as a surrogate for competition.
2 Historically, this role has been limited to the retail market. However, under the Act,
3 the Commission's role as a competitive surrogate shifts to the wholesale level,
4 because it is there that BellSouth's network monopoly poses the greatest risk. The
5 Commission's role now includes making this network available so that multiple
6 carriers may use it to offer retail services to consumers.

7

8 It is this final linkage to consumer prices that the Commission should not lose sight
9 of as it approaches the issues in this arbitration. Establishing the correct carrier-to-
10 carrier arrangements is complex, but, again, the ultimate beneficiaries will be South
11 Carolina consumers.

12

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A. Yes.**

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